

**ARTICLE 35**  
**PENSION PLAN**

**PART A**

**Section 1.**

The State will maintain the State Police Pension Plan as provided in the State Police Retirement Act of 1986 (P.A. 182 of 1986), as it exists on the effective date of this Agreement, except as provided in Part B, and except that the State agrees not to enforce the mandatory age 56 retirement provision contained in Section 24(1) unless and until it is determined that such provision is not in violation of State or Federal law, and the Consent Judgment in the case of EEOC vs State of Michigan, Department of State Police [USDC-WD 9-81-756-CA(A)] is modified or rescinded by court order.

**Section 2. Revision of P.A. 182.**

In the event that Public Act 182 of 1986 is amended during the term of this Agreement, and such amendment addresses a subject which is a mandatory subject of bargaining between the parties, this Agreement does not require that such amendment(s) be applied to employees or positions in the bargaining unit.

**Section 3. Insurances.**

Bargaining unit members who have retired on or after the effective date of this Agreement under Public Act 182 of 1986 (except current Section 30) or their beneficiary and dependents, shall be entitled to enroll in Group Dental and/or Vision Care Plan authorized for active employees by the Michigan Civil Service Commission and the Department of Management and Budget. Ninety percent (90%) of the applicable premiums payable by the retirant (or the retirant's beneficiary and enrolled dependents) for such coverage shall be paid by the State.

Bargaining unit members who have retired on or after the effective date of this Agreement under Public Act 182 of 1986 (except current Section 30), or their beneficiaries and dependents, shall continue to be entitled to enroll in the Group Health Care Plan authorized for active employees by the Michigan Civil Service Commission and the Department of Management and Budget. Ninety-five percent (95%) of the applicable premiums payable by the retirant (or the retirant's beneficiary and enrolled dependents) for such coverage shall be paid by the State.

Claims for services provided prior to enrollment shall not be payable under this Agreement.

#### **Section 4. Pension Benefit.**

Consistent with Public Act 182 of 1986, any pension which becomes payable on account of the attainment of 25 years of service credit, duty-incurred disability or duty-incurred death of a bargaining unit member on or after October 1, 1986 shall be equal to 60 percent of the member's final average compensation; any pension which becomes payable on account of the nonduty-incurred death or disability of a bargaining unit member on or after October 1, 1986 shall be calculated on the basis of the applicable years of service credit multiplied by 2.4.

#### **Section 5. Deferred Retirement.**

A deferred pension shall continue to be calculated on the basis of years of service credit (not to exceed 25 years) times 2, as provided in Public Act 182 of 1986.

#### **Section 6. Final Average Compensation.**

Whenever the term "average annual salary" is applied to members of this bargaining unit, in accordance with past practice and Public Act 182 of 1986, this term shall include the following:

- a. Regular salary paid for the last two years of service (including but not limited to that salary which is deferred pursuant to the state deferred compensation program);
- b. Overtime, shift differential, and shift differential overtime paid for the last two years of service;
- c. Workers' Compensation benefits paid for the last two years of service.
- d. The following gross pay adjustments affecting the last two years of service:

Administrative Leave  
Annual Leave  
Call Back  
Compensatory Time  
Civil Rights Adjustment  
Emergency Response  
Compensation  
Fair Labor Standards  
Act Adjustment  
Hazard Pay  
Jury Duty

Reallocation  
(including  
retroactive  
classification  
actions)  
Retroactive General  
Increase  
Shift Differential  
Shift Differential  
Overtime  
Step Increase

Military  
On-Call  
Overtime  
Personal Sick Leave  
(except for payment  
for accumulated but  
unused sick leave at  
separation)

Time & Attendance  
Adjustment  
Working Out of  
Class (under  
provisions of  
Collective  
Bargaining  
Contract)

- e. Up to a maximum of 240 hours of accumulated annual leave, paid at the time of retirement separation;
- f. Deferred hours (Plans B of FY 1980-81 and FY 1981-82) that are paid at the time of retirement separation;
- g. Longevity pay (two full years);
- h. Bomb squad paid for the last two years of service;
- i. On-call pay paid for the last two years of service.

#### **Section 7. Adjusting Service Time.**

For purposes of computing average annual salary pursuant to these same statutory provisions, the term "last two years of service for which the member was paid" shall be calculated based on the payments made to the employee, for the compensation elements specified in Section 6 above during the 24 calendar month period immediately preceding retirement. If the employee did not receive full compensation in any of the 24 months immediately preceding retirement, an amount of time equal to the lost time shall be included, so that Final Average Compensation is based on 24 complete months of earnings. Adjustments, if necessary, shall be made using the time immediately prior to the final 24 months of service.

#### **Section 8. Procedure for Resolution of Disability and Death Claims.**

The parties hereby adopt and incorporate the following Procedure for the Resolution of Disability and Death Claims.

- a. An application for a retirement allowance on account of disability or death shall be filed with the Office of Retirement Services acting on behalf of the State Police Retirement Board, stating all medical or other reasons in support of the application. The Director of the Department of State Police may also complete the application and request that a Medical Review Panel be convened for a member of the bargaining unit who has not applied for a disability retirement allowance whenever the Director

believes that a question regarding the existence or extent of a disability exists. In such an event, the Office of Retirement Services shall provide the affected member of the bargaining unit with a copy of the application and the member shall be deemed to be an "involuntary" applicant for purposes of these procedures, with the same rights and responsibilities as a "voluntary" applicant.

- b. Upon receipt of an application for a disability retirement allowance, the Office of Retirement shall arrange for a Medical Review Panel. The Director, the applicant, or the Office of Retirement Services may request the State Police Retirement Board to waive the examination by the Medical Review Panel whenever the disability and its extent is obvious and undisputed.
  - (1) The Medical Review Panel shall consist of a physician designated by the Director of the Department of Community Health, a physician appointed by the Office of Retirement Services, and a physician selected by the voluntary or involuntary applicant. The applicant's physician shall complete the attending physician's statement and provide the information requested. If the voluntary or involuntary applicant fails to provide the attending physician with the necessary forms and releases within thirty (30) days of the date of application, the application will proceed without the information.
  - (2) Upon written waiver as to the confidentiality of the applicant's medical condition, the applicant may also select any other person to submit supporting information to the Medical Review Panel and to be present when the Medical Review Panel convenes. This representative shall not be considered a part of the Medical Review Panel, but shall be permitted to submit to the panel in writing any relevant and material evidence with respect to the existence, extent, or relation to duty of the disability. The Director of the Department of State Police may elect to have a representative, who may also submit written evidence regarding the existence, extent or relation to duty of the disability to the Medical Review Panel.
  - (3) After all medical evidence submitted to the panel has been reviewed, the Medical Review Panel shall determine, based solely on the medical evidence submitted by the parties, whether or not a disability exists and its extent.
  - (4) The Medical Review Panel shall create a record of the examination and medical evidence submitted and considered by it, and certify its findings as to the disability and its extent to the Office of Retirement. Except for those matters that are appealed for hearing under subsection (f) below, the findings of the Medical Review Panel shall

be binding on the Director of the Department of State Police and the State Police Retirement Board only as to the issues of disability and its extent unless provided otherwise by law.

- (5) If written medical evidence of relation to duty is submitted to the Medical Review Panel, the Medical Review Panel may render an advisory opinion on this issue; the advisory opinion, however, shall not be deemed binding on the Director or the Department of State Police, the State Police Retirement Board or the applicant, and shall not prejudice the right of the State Police Retirement Board or the Department of State Police to conduct a separate investigation or to reach a different determination as to the relation to duty of the disability.
- c. When a question of relation to duty arises in a death or disability case, the State Police Retirement System shall, on its own, or at the request of the Director of the Department of State Police, conduct an investigation. This does not preclude the Department of State Police from initiating its own investigation and submitting the results to the State Police Retirement Board. The results of the investigation shall be advisory to the State Police Retirement Board.

The response to an application for a retirement allowance because of an alleged duty related death shall begin at this step. No Medical Review Panel will be required in such a case.

- d. The Office of Retirement Services shall forward to the applicant, the applicant's representative, and the Director or the Department of State Police, the following:
  - (1) A copy of the findings of the Medical Review Panel on disability and its extent;
  - (2) A copy of the Medical Review Panel's advisory opinion, if any, on the issue of relation to duty of the disability;
  - (3) A copy of any recommendation in the possession of the Office of Retirement Services on the issue of relation to duty; and
  - (4) A recommended order of retirement (if applicable), including the reasons for the order, and a recommended determination as to eligibility for a retirement allowance, including the amount.
- e. An applicant who feels aggrieved by the findings and determinations of the Medical Review Panel or the Office of Retirement Services on behalf of the State Police Retirement Board regarding retirement or eligibility for

retirement allowance shall be entitled to file an appeal of the determinations with the State Police Retirement Board. The appeal must be filed in writing with the Board within thirty (30) days after receipt of the determination from the Office of Retirement Services on behalf of the State Police Retirement Board.

- f. The State Police Retirement Board shall set a timely filed appeal for hearing without undue delay.
  - (1) The hearing, proposal for decision, and final decision and order, shall be conducted and administered pursuant to the contested cases procedure of the Administrative Procedures Act, 1969 PA 306, as amended, being MCL 24.271 - 24.287.
  - (2) The State Police Retirement Board shall review the findings of the Medical Review Panel, which shall not be binding on the Board, and shall issue a final decision in the matter based upon the record and arguments of the parties.
- g. Except as modified by this procedure or by a current or future collective bargaining Agreement, the rights of troopers and sergeants and their retirement beneficiaries to a retirement allowance shall be in accordance with the provisions of the State Police Retirement Act of 1986 (1986 PA 182) as it existed on April 1, 1988.

#### **Section 9. Post Retirement Adjustment.**

An employee (or beneficiary if applicable) shall be entitled to receive the annual post retirement adjustment set forth below, if:

- a. The employee is eligible for a retirement allowance under Act 182 of 1986 directly following separation from state service and has a retirement allowance effective date on or after October 1, 1989, or
- b. The employee defers retirement under Section 30 of Act 182 of 1986 on or after October 1, 1989.

Each retirement allowance shall be increased each October 1 beginning with the later of October 1, 1990 or the first October 1 which is at least twelve (12) months after the retirement allowance effective date. The amount of the annual adjustment shall be equal to two percent (2%) of the initial retirement allowance and shall not exceed \$500.

The annual adjustments are cumulative but are not compounded. Once the first adjustment is received, the monthly benefit will increase by the same amount each October 1 thereafter.

## **PART B. DEFERRED RETIREMENT OPTION PLAN**

### **Section 1. Eligibility and Plan Overview.**

An employee who has 25 years or more of credited service under the State police retirement act of 1986, as amended, or former act 1935 PA 251, or both, may elect to participate in the deferred retirement option plan (DROP) by executing the application provided by the Office of Retirement Services. Once the application is accepted by the Office of Retirement Services, the employee's participation in the DROP is irrevocable and he or she becomes a DROP participant. The employee is solely responsible for any federal, state, or local tax due as a result of his or her participation in the DROP.

Participation in the DROP does not guarantee continued employment. Except as otherwise provided in this article, an employee who elects to participate in the DROP will remain an active employee eligible to receive any applicable wage changes and benefits, and will be subject to policies and procedures of the Department of State Police in the same manner as if he or she had not elected to participate in the DROP.

For each fiscal year that begins on or after October 1, 2004, the director of state police and the retirement board may elect to discontinue accepting applications for the deferred retirement option plan.

### **Section 2. Participation Period.**

An employee shall indicate on the application for the DROP the number of years that the employee wants to participate in the DROP, up to a maximum of 6 years. As a condition for participation, the employee agrees to retire at the conclusion of his or her participation in the DROP.

### **Section 3. DROP Benefit and Account.**

A deferred retirement option plan account shall be created in the accounting records of the retirement system for each DROP participant. Each deferred retirement option plan account shall earn interest at the rate of 3% per annum, prorated for any fraction of a year. The DROP account of a DROP participant shall be credited with the following percentage of his or her monthly retirement allowance as calculated pursuant to section 24 of the State police retirement act (retirement act) as if he or she had retired on the day prior to becoming a DROP participant:

- a. 100% if the employee remains in the DROP for 6 years.
- b. 90% if the employee remains in the DROP for 5 years but less than 6 years.

- c. 80% if the employee remains in the DROP for 4 years but less than 5 years.
- d. 70% if the employee remains in the DROP for 3 years but less than 4 years.
- e. 60% if the employee remains in the DROP for 2 years but less than 3 years.
- f. 50% if the employee remains in the DROP for 1 year but less than 2 years.
- g. 30% if the employee remains in the DROP for less than 1 year.

A DROP participant shall not receive a monthly retirement allowance, as calculated pursuant to the retirement act, until termination of his or her DROP participation and commencement of retirement. A DROP participant shall not have any claim to any funds in his or her DROP account until he or she retires at the termination of his or her DROP participation.

#### **Section 4. Distribution of DROP Funds.**

Upon termination of the DROP participation and commencement of retirement, the former DROP participant shall select one or more of the following options with regard to his or her DROP account:

- a. A total lump sum distribution.
- b. A partial lump sum distribution.
- c. A lump sum direct rollover to another qualified plan if allowed by federal law and subject to the procedures of the retirement system.
- d. Maintain the funds in the account.

A former DROP participant shall remove all funds from his or her DROP account no later than April 1 following the later of the calendar year in which the DROP participant attains 70 years, 6 months of age or the calendar year in which the DROP participant is retired.

#### **Section 5. Death or Disability.**

If a DROP participant or former DROP participant dies before removing all funds from his or her DROP account, the former DROP participant's designated beneficiary shall receive any remaining balances. If the former DROP participant has not named a beneficiary for his or her DROP account, the amount in the DROP account shall be paid to the beneficiary of the former DROP participant's



retirement allowance. If the former DROP participant has not named a beneficiary to his or her retirement allowance, the balance in the former DROP participant's account shall be paid to the former DROP participant's estate.

If a DROP participant is found to be disabled under section 29 of the retirement act, his or her participation in the DROP shall immediately cease and he or she shall be retired.

#### **Section 6. I.R.C. Compliance.**

The DROP shall be administered in compliance with Section 415 of the Internal Revenue Code, 26 USC 415, and regulations under that section that are applicable to a governmental deferred retirement option plan. If there is a conflict between this section and another section of this article, this section prevails.

If the department receives notification from the United States internal revenue service that this article or any portion of this article will cause the retirement system to be disqualified for tax purposes under the internal revenue code, 26 USC 1 to 1789, then the portion that will cause the disqualification does not apply.

#### **Section 7. Special Provisions.**

Notwithstanding any other contractual provision, the following special provisions apply to a DROP participant:

- a. At the time of acceptance to the DROP, the DROP participant shall be paid for his or her accrued eligible sick leave, subject to subdivision (g). A DROP participant shall not accrue any further sick leave. A DROP participant may use up to 240 hours of sick leave for which payment was not received. No payment will be made at retirement for any unused sick leave.
- b. At the time of acceptance to the DROP, the DROP participant shall be paid for his or her accrued annual leave up to 240 hours, subject to subdivision (g). Any accrued annual leave in excess of 240 hours may be used by the DROP participant.
- c. Excluding participation in the banked leave time program, each DROP participant shall receive a total of 7.7 hours of annual leave for each 80 hours of paid service in a biweekly work period; however, the maximum number of annual leave hours that a DROP participant may accumulate, including annual leave hours remaining prior to DROP participation, is 200 hours. If a DROP participant is not paid for 80 hours in a biweekly work period, the participant shall be credited with a prorated amount of annual leave for that work period. A DROP participant on an alternative work schedule of more than 80 hours of

paid service in a biweekly work period shall only receive 7.7 hours of annual leave in the biweekly work period. At retirement, the DROP participant will only be paid for a maximum of 76 hours of annual leave.

- d. Drop participants shall not be eligible for, and cannot receive, any longevity pay.
- e. As of the effective date of participation in the DROP, a participating employee is paid for all accrued compensatory time. As of the effective date of participation in the DROP, a participating employee and the employee's supervisor may agree to allow the employee to accrue up to 48 hours of compensatory time. A participating employee is paid for up to 48 hours of unused compensatory time at retirement.
- f. DROP participants shall pay group insurance plan premiums equal to the amount the employee would have paid if the employee had retired on the day before becoming a DROP participant.
- g. Payments due an employee upon approval to participate in the DROP, such as for accrued sick leave, annual leave, compensatory time, and similar items, may be paid at the sole discretion of the state, at the rate of 17% per year until the DROP participant retires, at which time any remaining balance shall be paid. This provision shall not affect how an employee's final average compensation is determined for purposes of calculating his or her retirement benefit pursuant to section 24 of the retirement act.
- h. Solely for purposes of voluntary transfer under the provisions of Article 13, a trooper shall be considered as having three years of time in service seniority, and sergeants shall be considered as having one year of time in rank seniority.

#### **Section 8. Additional Provision.**

In the event command officers of the department are offered terms in DROP benefits relating to Section 3 and Section 7.g. above, that the Association considers favorable to them in the same sections, the Association upon notice and demand to the Office of the State Employer will be granted the same provision for all employees as are granted to the command officers for the duration of the current agreement.